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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
DOCKET CONTROL

COMMISSIONERS

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

IN THE MATTER OF THE APPLICATION OF  
JOHNSON UTILITIES, LLC DBA JOHNSON  
UTILITIES COMPANY FOR AN INCREASE  
IN ITS WATER AND WASTEWATER RATES  
FOR CUSTOMERS WITHIN PINAL  
COUNTY, ARIZONA.

DOCKET NO. WS-02987A-08-0180

**STAFF'S NOTICE OF FILING  
SUPPLEMENTAL SURREBUTTAL  
TESTIMONY**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Supplemental Surrebittal Testimony of Jeffrey M. Michlik (Water) of the Utilities Division in the above-referenced docket.

RESPECTFULLY SUBMITTED this 10<sup>th</sup> day of April, 2009.

*Nancy Scott*

Nancy Scott, Attorney  
Ayesha Vohra, Attorney  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
(602) 542-3402

Original and thirteen (13) copies  
of the foregoing filed this  
10<sup>th</sup> day of April, 2009 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Arizona Corporation Commission

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APR 10 2009

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**SUPPLEMENTAL SURREBUTTAL**

**TESTIMONY**

**OF**

**JEFFREY M. MICHLIK**

**DOCKET NO. WS-02987A-08-0180**

**IN THE MATTER OF THE APPLICATION OF  
JOHNSON UTILITIES, L.L.C., FOR AN  
INCREASE IN ITS WATER AND  
WASTEWATER RATES FOR CUSTOMERS  
WITHIN PINAL COUNTY, ARIZONA**

**APRIL 10, 2009**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF )  
JOHNSON UTILITIES, L.L.C., FOR AN )  
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WITHIN PINAL COUNTY, ARIZONA )  
\_\_\_\_\_)

DOCKET NO. WS-02987A-08-0180

WATER

SUPPLEMENTAL SURREBUTTAL

TESTIMONY

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

APRIL 10, 2009

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1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the  
4 Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division  
5 ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.  
6

7 **Q. Are you the same Jeffrey M. Michlik who filed surrebuttal testimony in this case?**

8 A. Yes, I am.  
9

10 **Q. What is the purpose of your supplemental surrebuttal testimony in this proceeding?**

11 A. The purpose of this supplemental surrebuttal testimony is to respond, on behalf of Staff, to  
12 the question of whether, or not, to treat the Central Arizona Ground Water Replenishment  
13 District ("CAGRD") use fee as a pass-through to rate payers.  
14

15 **CAGRD**

16 **Q. Does Staff now recommend that the CAGRD use fee be treated as a pass-through to**  
17 **rate payers?**

18 A. Yes, subject to certain conditions.  
19

20 **Q. Why is Staff changing its position?**

21 A. After further analysis, Staff determined that the CAGRD fee is based on the volume of  
22 water sold to customers, therefore, could be calculated on a per bill basis, based on the  
23 amount of water sold each month to each customer.

1     **Q.     What are Staff's recommended conditions?**

2     A.     Staff recommends that the following conditions with regard to the CAGR D use fee be  
3     applied to the Company as a compliance item in this docket:

- 4             1. The pass-through shall apply to all water sold after October 1, 2009, or shall  
5             become effective on the date new rates from this case become effective, whichever  
6             is later.
- 7             2. The Company shall, on a monthly basis, place all CAGR D monies collected from  
8             customers in a separate, interest bearing account ("CAGR D Account").
- 9             3. The only time the Company can withdraw money from the CAGR D Account is to  
10            pay the annual CAGR D fee to the CAGR D, which is due on October 15th of each  
11            year.
- 12            4. The Company must provide to Staff a semi-annual report of the CAGR D Account  
13            and CAGR D use fees collected from customers and paid to the CAGR D, with the  
14            reports due during the last week of October and the last week of April of each year.
- 15            5. The Company must provide to Staff, every even-numbered year, (first year being  
16            2010) by June 30th, the new firm rates set by the CAGR D for the next two years.
- 17            6. The initial CAGR D use fee, beginning as per Condition No. 1 above, shall be  
18            \$0.976 per 1,000 gallons for customers in the Phoenix AMA and \$.0856 per 1,000  
19            gallons for customers in the Pinal AMA.
- 20            7. By July 15th of each year, beginning in 2010, the Company shall submit its  
21            proposed CAGR D pass-through fee for the Phoenix and Pinal AMAs for  
22            consideration by the Commission, with the Commission approved amount  
23            becoming effective the following October 1st.
- 24            8. If the CAGR D changes its current method of assessing fees, (i.e. based on the  
25            current volume of water used by customers) to some other method, such as, but no

1                   limited to, future projection of water usage, or total water allocated to the  
2                   Company, the Company's pass through to customers of CAGR D fees shall cease.

3                   9. The Commission will decide in the Company's next rate case what to do with any  
4                   excess funds that may be in the CAGR D Account.

5                   10. At any time between rate cases, if the Commission determines that there are  
6                   excessive funds in the CAGR D Account, the Commission may order a refund of  
7                   any such excess funds or consider these excess funds in calculating future year  
8                   pass-throughs of CAGR D use fees.

9  
10       **Q.     Does this conclude your supplemental surrebuttal testimony?**

11       **A.     Yes, it does.**